

NEW ZEALAND OIL & GAS LIMITED

NZ Reg. Coy. No. 037842
ARBN 003 064 962
www.nzog.com

Results for announcement to the market

Reporting Period	6 months to 31 December 2012
Previous Reporting Period	12 months to 30 June 2012
Comparative Reporting Period	6 months to 31 December 2011

	Amount (NZ\$ 000s)		Increase / (decrease)
	6 months to 31 December 2012	6 months to 31 December 2011	%
Revenue from ordinary activities	47,869	54,639	(12%)
Surplus / (deficit) from ordinary activities after tax attributable to security holders	7,666	1,655	363%
Net profit / (loss) attributable to security holders	7,666	1,655	363%
	NZ\$	NZ\$	%
Net Tangible Assets per share	0.85	0.85	0%

Interim/Final Dividend	Amount per security	Imputed amount per security
Interim Dividend	3 cents	Fully imputed

Record Date	15 March 2013
Dividend Payment Date	5 April 2013

Comments:	<p>Accompanying this announcement are the company's unaudited financial statements, for the half year ended 31 December 2012, that have been prepared in accordance with generally accepted accounting practice and give a true and fair view of the matters to which the statements relate.</p> <p>These financial statements provide the balance of information required in accordance with Listing Rule 10.4.2, Appendix 1.</p> <p>The attached financial statements do not include the dividend declared with this notice.</p> <p>Dividend Reinvestment Plan NZOG's Dividend Reinvestment Plan remains in operation for</p>
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shareholders resident in New Zealand or Australia. These shareholders can choose to invest all or part of their future dividends in taking up additional NZOG Shares, instead of receiving cash.

The Board has decided that new shares issued under the Dividend Reinvestment Plan will no longer be issued at a 2.5% discount as in the past. To be clear this means that for shares issued under the proposed interim dividend will have no discount applied.

Shareholders who wish to participate in the plan or amend previous participation instructions may do so by completing a Participation Notice.

To obtain Terms and Conditions of the Plan and a Participation Notice, please refer to the New Zealand Oil & Gas Limited website:

www.nzog.com

Reviewed Financial Statements

Refer to accompanying Appendix 1


New Zealand Oil & Gas Limited Condensed Interim Financial Statements for the half year ended 31 December 2012

The condensed interim financial statements of New Zealand Oil & Gas Limited, presented on pages 2 to 21, is approved for and on behalf of the Board:



P.W. Griffiths
Chairman

28 February 2013



M Tume
Director

28 February 2013

New Zealand Oil & Gas Limited
Condensed Statement of Income
For the half year ended 31 December 2012

		Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Revenue	4	47,869	54,639	116,375
Operating costs	5	<u>(21,253)</u>	<u>(27,528)</u>	<u>(52,775)</u>
Gross profit		<u>26,616</u>	<u>27,111</u>	<u>63,600</u>
Other Income	4	178	549	921
Exploration and evaluation costs expensed	8	<u>(6,480)</u>	<u>(579)</u>	<u>(2,389)</u>
Other expenses		<u>(4,948)</u>	<u>(4,043)</u>	<u>(10,005)</u>
Results from operating activities		<u>15,366</u>	<u>23,038</u>	<u>52,127</u>
Finance costs		<u>(1,115)</u>	<u>(23,819)</u>	<u>(19,442)</u>
Finance income		<u>2,421</u>	<u>12,425</u>	<u>11,791</u>
Net finance income/(costs)	6	<u>1,306</u>	<u>(11,394)</u>	<u>(7,651)</u>
Profit before income tax and royalties		16,672	11,644	44,476
Royalties expense		<u>(4,823)</u>	<u>(5,084)</u>	<u>(12,102)</u>
Income tax expense		<u>(4,183)</u>	<u>(4,905)</u>	<u>(12,487)</u>
Profit for the period		<u>7,666</u>	<u>1,655</u>	<u>19,887</u>
Profit for the period attributable to:				
Equity holders of Parent		<u>7,666</u>	<u>1,655</u>	<u>19,887</u>
		<u>7,666</u>	<u>1,655</u>	<u>19,887</u>
		Cents	Cents	Cents
Earnings per share attributable to shareholders:				
Basic earnings per share	14	1.9	0.4	5.0
Diluted earnings per share	14	1.9	0.4	5.0
Net Tangible Asset Backing per share		85	85	88

The above condensed statement of income should be read in conjunction with the accompanying notes on pages 8 to 21.

New Zealand Oil & Gas Limited
Condensed Statement of Comprehensive Income
For the half year ended 31 December 2012

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Profit for the period	7,666	1,655	19,887
Other comprehensive income, net of tax			
Fair value gain/(loss) through other comprehensive income	13 1,215	(969)	(658)
Foreign currency translation differences	13 (1,613)	2,561	1,189
Other comprehensive (costs)/income for the period	(398)	1,592	531
Total comprehensive income for the period	7,268	3,247	20,418
Total comprehensive income for the period attributable to:			
Equity holders of Parent	7,268	3,247	20,418

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes on pages 8 to 21.

New Zealand Oil & Gas Limited
Condensed Statement of Financial Position
As at 31 December 2012

	Notes	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
ASSETS				
Current assets				
Cash and cash equivalents		208,997	191,457	209,221
Receivables and prepayments		17,369	11,306	20,096
Inventories		1,572	2,877	1,340
Current tax receivables		2,803	4,910	-
Convertible bond		-	-	2,499
Total current assets		230,741	210,550	233,156
Non-current assets				
Evaluation and exploration assets	8	18,353	12,470	14,893
Oil and gas assets	9	204,327	230,753	218,537
Plant, property and equipment		382	250	366
Intangible assets		36	38	35
Other financial assets	10	12,377	17,116	18,052
Total non-current assets		235,475	260,627	251,883
Total assets		466,216	471,177	485,039
LIABILITIES				
Current liabilities				
Payables		15,768	14,183	16,959
Borrowings	11	16,520	18,580	18,040
Current tax liabilities		-	-	2,104
Total current liabilities		32,288	32,763	37,103
Non-current liabilities				
Borrowings	11	21,480	36,220	28,760
Restoration and rehabilitation provision	12	28,357	31,565	32,392
Net deferred tax liability		35,983	32,024	31,773
Total non-current liabilities		85,820	99,809	92,925
Total liabilities		118,108	132,572	130,028
Net assets		348,108	338,605	355,011
EQUITY				
Share capital		367,755	359,484	358,584
Reserves	13	(17,840)	(16,268)	(17,243)
Retained earnings		(1,807)	(4,611)	13,670
Total equity		348,108	338,605	355,011

The above condensed statement of financial position should be read in conjunction with the accompanying notes on pages 8 to 21.

New Zealand Oil & Gas Limited
Condensed Statement of Changes in Equity
For the half year ended 31 December 2012

Attributable to equity holders of New Zealand Oil & Gas Limited

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
UNAUDITED – Restated				
Balance as at 1 July 2011	358,233	(17,420)	985	341,798
Comprehensive income				
Profit for the period	-	-	1,655	1,655
Other comprehensive income				
Fair value loss through other comprehensive income	-	(969)	-	(969)
Foreign currency translation differences	-	2,561	-	2,561
Total comprehensive income	-	1,592	1,655	3,247
Transactions with owners				
Shares issued	2,399	-	-	2,399
Buy back of issued shares	(1,148)	-	-	(1,148)
Share based payment	-	153	-	153
Transfer of expired share based payments during the period	-	(593)	593	-
Dividend declared (2 cents per ordinary share)	-	-	(7,844)	(7,844)
Supplementary dividend	-	-	(240)	(240)
Foreign investor tax credit	-	-	240	240
Balance as at 31 December 2011	359,484	(16,268)	(4,611)	338,605

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
UNAUDITED				
Balance as at 1 July 2012	358,584	(17,243)	13,670	355,011
Comprehensive income				
Profit for the period	-	-	7,666	7,666
Other comprehensive income				
Fair value gain through other comprehensive income	-	1,215	-	1,215
Foreign currency translation differences	-	(1,613)	-	(1,613)
Total comprehensive income	-	(398)	7,666	7,268
Transactions with owners				
Shares issued	9,171	-	-	9,171
Share based payment	-	116	-	116
Transfer of expired share based payments during the period	-	(315)	315	-
Dividend declared (6 cents per ordinary share)	-	-	(23,458)	(23,458)
Supplementary dividend	-	-	(1,107)	(1,107)
Foreign investor tax credit	-	-	1,107	1,107
Balance as at 31 December 2012	367,755	(17,840)	(1,807)	348,108

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 21.

New Zealand Oil & Gas Limited
Condensed Statement of Changes in Equity
For the half year ended 31 December 2012
(continued)

Attributable to equity holders of New Zealand Oil & Gas Limited

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
AUDITED				
Balance as at 1 July 2011	358,233	(17,420)	985	341,798
Comprehensive income				
Profit for the year	-	-	19,887	19,887
Other comprehensive income				
Fair value loss through other comprehensive income	-	(658)	-	(658)
Foreign currency translation differences	-	1,189	-	1,189
Total comprehensive income	-	531	19,887	20,418
Transactions with owners				
Shares issued	2,426	-	-	2,426
Buy back of issued shares	(2,075)	-	-	(2,075)
Share based payment	-	288	-	288
Transfer of expired share based payments during the year	-	(642)	642	-
Dividend declared (2 cents per ordinary share)	-	-	(7,844)	(7,844)
Supplementary dividend	-	-	(240)	(240)
Foreign investor tax credit	-	-	240	240
Balance as at 30 June 2012	358,584	(17,243)	13,670	355,011

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 21.

New Zealand Oil & Gas Limited
Condensed Statement of Cash Flows
For the half year ended 31 December 2012

	Unaudited Half Year 31 December 2012 \$'000	Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Cash flows from operating activities			
Receipts from customers	51,900	52,241	108,317
Interest received	3,069	4,931	7,206
Other revenue	39	25	131
Production and marketing expenditure	(11,612)	(14,948)	(24,940)
Payments to suppliers and employees (inclusive of Goods and Services Tax)	(5,347)	(4,936)	(11,085)
Royalties	(8,270)	(6,656)	(10,538)
Interest paid	(845)	(1,506)	(2,492)
Income taxes paid	(3,701)	(2,690)	(3,437)
Net cash flows from operating activities	25,233	26,461	63,162
	16		
Cash flows from investing activities			
Receipt of loan repayment from Pike River Coal Ltd (In Receivership)	6,927	36,305	37,656
Exploration and evaluation expenditure	(10,526)	(4,816)	(9,506)
Oil & gas asset expenditure	(1,066)	(246)	(1,352)
Refund/(deposit) of Performance bond	791	(1,255)	(2,244)
Purchase of property, plant and equipment	(58)	(51)	(229)
Return of capital from Pan Pacific Petroleum NL	5,554	-	-
Loan advance to Pike River Coal Ltd (In Receivership)	-	(4,593)	(6,843)
Net cash flows from investing activities	1,622	25,344	17,482
Cash flows from financing activities			
Issues of shares	84	2	29
Proceeds from sale of forfeited shares	2,496	-	-
Buyback of issued shares	-	(1,103)	(2,075)
Repayment of borrowings	(8,800)	(8,525)	(16,525)
Dividend paid	(17,971)	(5,685)	(5,685)
Net cash flows from financing activities	(24,191)	(15,311)	(24,256)
Net increase in cash and cash equivalents	2,664	36,494	56,388
Cash and cash equivalents at the beginning of the period	209,221	149,360	149,360
Effects of exchange rate changes on cash and cash equivalents	(2,888)	5,603	3,473
Cash and cash equivalents at end of the half year	208,997	191,457	209,221

The above condensed statement of cash flows should be read in conjunction with the accompanying notes on pages 8 to 21.

1 General information

New Zealand Oil & Gas Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX") and Australian Stock Exchange ("ASX"). The Company is an issuer in terms of the Financial Reporting Act 1993.

The condensed interim financial statements (hereafter referred to as the "financial statements") presented herewith as at and for the half year ended 31 December 2012 comprise the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities (together referred to as the "Group").

These condensed interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012.

These financial statements have been approved for issue by the Board of Directors on 28 February 2013.

2 Summary of significant accounting policies

This condensed interim financial information for the half year ended 31 December 2012 has been prepared in accordance with Accounting Standard NZ IAS 34 *Interim Financial Reporting*.

Changes in accounting policies

There have been no changes in accounting policies during the current year. The adoption of the accounting standards effective during the period have not resulted in a significant change to the Groups accounting policies from prior years. All other accounting policies have been applied on a basis consistent with the prior year.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2012.

Restatement of Comparatives

A restatement has been made to the Group comparative figures for the half year ending 31 December 2011 to correct an error relating to the restoration and rehabilitation provision. In previous years the Group determined the provision by discounting expected future expenditure at discount rates of 10-12%. The provision should be determined by discounting expected future expenditure at an appropriate risk free interest rate relevant to the currency of the expected expenditure.

Impact on Restated Statement of Financial Position – 31 December 2011

	Original \$000	Restated \$000	Restatement \$000
ASSETS			
Oil and gas assets	221,050	230,753	9,703
LIABILITIES			
Restoration and rehabilitation provision	(17,070)	(31,565)	(14,495)
Net deferred tax liabilities	(33,289)	(32,024)	1,265
Impact on Net Assets			(3,527)
EQUITY			
Reserves	(16,341)	(16,268)	73
Retained earnings	(1,012)	(4,611)	(3,599)
Impact on Equity			(3,527)

Restatement of Comparatives (continued)

Impact on Restated Income Statement – 31 December 2011

	Original \$000	Restated \$000	Restatement \$000
Operating costs	(26,317)	(27,528)	(1,211)
Net finance income/(costs)	(24,191)	(23,819)	372
Income tax (expense)/benefit	(5,142)	(4,905)	237
Other expenses	(4,033)	(4,043)	(10)
Profit/(loss) for the year	2,267	1,655	(612)
Foreign currency translation differences	2,834	2,561	(273)
Impact on Total Comprehensive Income for the year	4,132	3,247	(885)
	Cents	Cents	Cents
Earnings per share attributable to shareholders – Basic and Diluted	0.6	0.4	(0.2)

3 Segment information

For management purposes, the Group's activities are organised into a number of different segments based on the nature of the venture or investment.

Management monitors operating results and technical data associated with these segments separately for the purposes of making decisions about resource allocation and performance assessment. The financial performance of each segment is evaluated based on profit before tax and net finance costs (profit before tax and interest) and is measured in accordance with the Group's accounting policies. The Group's financing requirements, finance income, finance costs, taxes and other corporate activities are managed at a Group level.

The following summaries describe the activities within each of the reportable operating segments:

Oil and gas

Tui area oil fields:

Development, production and sale of crude oil in the petroleum mining permit area of PMP 38158 located in the offshore Taranaki basin, New Zealand.

Kupe field:

Development, production, sale of natural gas, liquefied petroleum gas (LPG) and condensate (light oil) in the petroleum mining permit area of PML 38146 located in the offshore Taranaki basin, New Zealand.

Exploration

Exploration and evaluation of hydrocarbons in New Zealand, Indonesia and Tunisia.

Investments

Investments held by the Group are in resource companies listed on the New Zealand and Australian stock exchanges. At balance date the investments held were in Pan Pacific Petroleum NL.

No operating segments have been aggregated to form the above reportable segments.

Segment revenues are allocated based on whether the customer is located in New Zealand or overseas. Segment assets are based in New Zealand with the exception of the investment in Pan Pacific Petroleum NL, which is an Australian listed company, and exploration and evaluation assets in Tunisia and Indonesia.

Unaudited Half year to 31 December 2012	Oil & Gas assets - Tui \$'000	Oil & Gas assets- Kupe \$'000	Oil & Gas assets - Exploration \$'000	Investments \$'000	Other and unallocated \$'000	Total \$'000
Sales to external customers - NZ	-	17,264	-	-	-	17,264
Sales to external customers - other countries	16,625	13,980	-	-	-	30,605
Total sales revenue	<u>16,625</u>	<u>31,244</u>	-	-	-	47,869
Other income	-	134	-	-	44	178
Total revenue and other income	<u>16,625</u>	<u>31,378</u>	-	-	44	48,047
Segment result	<u>10,355</u>	<u>16,529</u>	<u>(6,480)</u>	<u>2,000</u>	<u>(5,038)</u>	17,366
Other reconciling items - other net finance income/(costs)						<u>(694)</u>
Profit before income tax and royalties						16,672
Income tax and royalties expense						<u>(9,006)</u>
Profit for the period						<u>7,666</u>
Segment assets	<u>14,169</u>	<u>190,158</u>	<u>18,353</u>	<u>10,937</u>	-	233,617
Other reconciling items						<u>232,599</u>
Total assets						<u>466,216</u>
Included in segment results:						
Depreciation and amortisation expense	<u>2,361</u>	<u>8,438</u>	-	-	46	10,845
Recovery of loan to Pike River Coal Ltd (In Receivership)	-	-	-	<u>2,000</u>	-	<u>2,000</u>

3 Segment information (continued)

Unaudited – Restated Half year to 31 December 2011	Oil & Gas assets - Tui \$'000	Oil & Gas assets - Kupe \$'000	Oil & Gas assets - Exploration \$'000	Investments \$'000	Other and unallocated \$'000	Total \$'000
Sales to external customers - NZ	-	17,845	-	-	-	17,845
Sales to external customers - other countries	17,530	19,264	-	-	-	36,794
Total sales revenue	17,530	37,109	-	-	-	54,639
Other income	-	524	-	-	25	549
Total revenue and other income	17,530	37,633	-	-	25	55,188
Segment result	11,020	16,615	(579)	(18,079)	(4,017)	4,960
Other reconciling items - other net finance income/(costs)						6,684
Profit before income tax and royalties						11,644
Income tax and royalties expense						(9,989)
Profit for the period						1,655
Segment assets	23,668	207,085	12,470	15,750	-	258,973
Other reconciling items						212,204
Total assets						471,177
Included in segment results:						
Depreciation and amortisation expense	3,629	10,753	-	-	127	14,509
Impairment of loan to Pike River Coal Ltd (In Receivership)	-	-	-	(18,079)	-	(18,079)
Audited Full year to 30 June 2012	Oil & Gas assets - Tui \$'000	Oil & Gas assets - Kupe \$'000	Oil & Gas assets - Exploration \$'000	Investments \$'000	Other and unallocated \$'000	Total \$'000
Sales to external customers - NZ	-	37,175	-	-	-	37,175
Sales to external customers - other countries	42,040	37,160	-	-	-	79,200
Total sales revenue	42,040	74,335	-	-	-	116,375
Other income	-	791	-	-	130	921
Total revenue and other income	42,040	75,126	-	-	130	117,296
Segment result	26,841	37,550	(2,389)	(16,500)	(9,875)	35,627
Other reconciling items - other net finance income/(costs)						8,849
Profit before income tax and royalties						44,476
Income tax and royalties expense						(24,589)
Profit for the year						19,887
Segment assets	20,150	198,387	14,893	20,676	-	254,106
Other reconciling items						230,933
Total assets						485,039
Included in segment results:						
Depreciation and amortisation expense	6,769	21,189	-	-	147	28,105
Impairment of loan to Pike River Coal Ltd (In Receivership)	-	-	-	(16,500)	-	(16,500)

4 Income

	Unaudited Half Year 31 December 2012 \$'000	Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
<i>Revenue</i>			
Petroleum sales	<u>47,869</u>	54,639	116,375
Total revenue	<u>47,869</u>	<u>54,639</u>	<u>116,375</u>
<i>Other income</i>			
Rental income	11	25	49
Carbon emission expenditure recovered	33	-	81
Other income	<u>134</u>	<u>524</u>	<u>791</u>
Total other income	<u>178</u>	<u>549</u>	<u>921</u>
Total income	<u>48,047</u>	<u>55,188</u>	<u>117,296</u>

5 Operating costs

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Production and sales marketing costs	9,595	11,079	20,030
Amortisation of production asset	10,799	14,382	27,958
Repairs and maintenance	-	1,969	2,769
Carbon emission expenditure	69	578	993
Insurance expenditure	847	776	1,657
Movement in inventory	(230)	(1,337)	(328)
Movement in stock over/(under) lift	<u>173</u>	<u>81</u>	<u>(304)</u>
Total operating costs	<u>21,253</u>	<u>27,528</u>	<u>52,775</u>

6 Net finance costs/ (income)

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Finance costs			
Interest and finance charges	(1,098)	(1,649)	(2,942)
Net exchange losses on foreign currency balances	(2,017)	-	-
Recovery/(Impairment) of loan to Pike River Coal Limited (In Receivership) - principal	2,000	(13,943)	(13,765)
Impairment of loan to Pike River Coal Limited (In Receivership) - interest	-	(4,136)	(2,735)
Net fair value loss on convertible bond	-	(4,091)	-
Total finance costs	<u>(1,115)</u>	<u>(23,819)</u>	<u>(19,442)</u>
Finance income			
Interest income	2,421	5,797	7,265
Net exchange gains on foreign currency balances	-	6,628	4,526
Total finance income	<u>2,421</u>	<u>12,425</u>	<u>11,791</u>
Net finance costs	<u>1,306</u>	<u>(11,394)</u>	<u>(7,651)</u>

7 Oil and gas interests

The Group held the following oil and gas production, exploration, evaluation and appraisal interests at period end:

Name	Country	Type	Interests held by the group		
			Unaudited Half Year 31 December 2012 %	Unaudited Half Year 31 December 2011 %	Audited Full Year 30 June 2012 %
PML 38146 - Kupe	New Zealand	Mining Licence	15.0%	15.0%	15.0%
PMP 38158 - Tui	New Zealand	Mining Permit	12.5%	12.5%	12.5%
PEP 54857	New Zealand	Exploration Permit	100.0%	- %	- %
PEP 38491 - Albacore (i)	New Zealand	Exploration Permit	- %	100.0%	- %
PEP 38259 - Barque(ii)	New Zealand	Exploration Permit	- %	40.0%	40.0%
PEP 51311 - Kakapo	New Zealand	Exploration Permit	100.0%	100.0%	100.0%
PEP 52181 - Kaheru (iii)	New Zealand	Exploration Permit	60.0%	- %	- %
PEP 54867 - Manaia	New Zealand	Exploration Permit	40.0%	- %	- %
PEP 51988 - Mangaa (i)	New Zealand	Exploration Permit	- %	100.0%	- %
PEP 51558 - Kanuka	New Zealand	Exploration Permit	50.0%	50.0%	50.0%
Diodore	Tunisia	Prospecting Permit	100.0%	100.0%	- %
Kisaran PSC	Indonesia	Production Sharing Contract	22.5%	22.5%	- %
Cosmos (v)	Tunisia	Concession	40.0%	40.0%	- %
Bohorok PSC	Indonesia	Production Sharing Contract	45.0%	- %	- %

(i) PEP 38491 (Albacore) and PEP 51988 (Mangaa) were relinquished to the Crown on 20 January 2012.

(ii) On 10 August 2012, NZOG announced that the consortium with interests in PEP 38259 (Barque) agreed to relinquish the permit to the Crown.

(iii) In March 2012 NZOG made a conditional offer to purchase a stake in PEP 52181 (Kaheru). Since then the company was able to acquire a further 17.14% interest and the conditions of the original offer were finalised with a drilling commitment, which resulted in NZOG having a 60% interest. At the date of this report, NZOG has farmed out a 25% interest in the permit to Beach Petroleum (NZ) Pty Limited, subject to ministerial approval, leaving NZOG with a 35% interest.

(iv) In November 2012 NZOG entered into conditional agreements to purchase a 12.5% interest in PEP 51906 (Matuku); 50% interest in PEP 53473 (Takapou) and a 50% interest in PEP 52593 (Taranga). At the date of this report the agreements are conditional on Ministerial consent.

(v) The Company has fully expensed its investment to balance date in the Cosmos South development plan in Tunisia. NZOG's assessment of the current development plan for the project does not meet the company's investment criteria and on that basis NZOG would not proceed. Subsequent to balance date the Company incurred additional expenditure of NZ\$1.2 million and will continue to incur some expenditure, which will be expensed when incurred.

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Share of oil and gas interests' assets and liabilities			
Cash and cash equivalents	11,805	3,933	12,568
Trade receivables *	635	520	439
Inventory	1,500	2,681	649
Prepayments	531	28	-
Petroleum interests **	320,596	318,203	321,449
Total assets	335,067	325,365	335,105
Current liabilities	5,734	5,595	5,649
Total liabilities	5,734	5,595	5,649
Net assets	329,333	319,770	329,456

7 Oil and gas interests (continued)

	Unaudited Half Year 31 December 2012 \$'000	Unaudited Half Year 31 December 2011 \$'000	Unaudited Full Year 30 June 2012 \$'000
Share of oil and gas interests' revenue, expenses and results			
Revenues *	54	381	72
Expenses	<u>(16,066)</u>	<u>(9,680)</u>	<u>(17,666)</u>
Profit before income tax	<u>(16,012)</u>	<u>(9,299)</u>	<u>(17,594)</u>

* Trade Receivables and revenues above do not include petroleum sales in relation to the Tui and Kupe fields, as the Group's share of production volumes are transferred from the Joint Venture to wholly owned subsidiaries and invoiced directly by the subsidiaries to third parties.

** Prior to amortisation of production assets.

8 Exploration and evaluation assets

	Unaudited Half Year 31 December 2012 \$'000	Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Opening balance	14,893	7,322	7,322
Expenditure capitalised	10,231	5,757	10,047
Revaluation of USD exploration and evaluation assets	(291)	(30)	(87)
Expenditure written off	<u>(6,480)</u>	<u>(579)</u>	<u>(2,389)</u>
Closing balance	<u>18,353</u>	<u>12,470</u>	<u>14,893</u>

9 Oil and gas assets

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Opening balance	218,537	238,841	238,841
Expenditure capitalised	1,060	177	1,284
Amortisation for the period	(10,799)	(14,382)	(27,958)
Revaluation of USD production assets	(659)	1,462	773
Abandonment provision	<u>(3,812)</u>	<u>4,655</u>	<u>5,597</u>
Closing balance	<u>204,327</u>	<u>230,753</u>	<u>218,537</u>

Includes borrowing costs capitalised of \$9.0 million at 31 December 2012 (30 June 2012: \$9.5 million and 31 December 2011: \$10.0 million).

10 Other financial assets

	Unaudited Half Year 31 December 2012 \$'000	Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Pan Pacific Petroleum NL - Shares:			
Investment assets (fair value through other comprehensive income)	10,937	15,750	15,750
Other			
Performance bonds	1,397	1,323	2,259
Refundable security deposits	43	43	43
Total other financial assets	<u>12,377</u>	<u>17,116</u>	<u>18,052</u>

Shares held in Pan Pacific Petroleum NL

The investment of 87.5 million shares in Pan Pacific Petroleum NL is measured at fair value at reporting date of \$10.9 million and is classified as an investment asset at fair value. The Group has designated the investment asset as fair value with movements through other comprehensive income as this best matches the Group's holding intention for this investment. All gains and losses being recognised in other comprehensive income. The cost of this investment is the equivalent of \$17.5 million after a \$5.6 million return of capital in the form of a dividend from Pan Pacific Petroleum NL during the period to December 2012.

11 Borrowings

	Unaudited Half Year 31 December 2012 \$'000	Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Secured - Current			
Bank loans	16,520	18,580	18,040
Secured - Non-current			
Bank loans	21,480	36,220	28,760
Total borrowings	<u>38,000</u>	<u>54,800</u>	<u>46,800</u>

Assets pledged as security

At period end the Group has a Letter of Credit facility in respect of the Tui Area Oil Fields. At 31 December 2012 the Letter of Credit facility was US\$3.0 million (30 June 2012: US\$3.8 million and 31 December 2011: US\$4.0 million). The Letter of Credit facility expires on 31 December 2015.

The Letter of Credit facility for the Tui Area Oil Fields is secured over the Group's assets other than those primarily relating to Kupe, investments in Pike River Coal Limited (In Receivership), and a number of exploration assets.

At 31 December 2012 the Group has a project facility in respect of Kupe of NZ\$38.0 million with Westpac Banking Corporation that was fully drawn.

The Kupe project facility is secured over the Group's Kupe assets. The facility is repaid progressively over the life until the facility is fully repaid by 31 March 2015.

12 Restoration and rehabilitation provision

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Restoration and rehabilitation provision	<u>28,357</u>	<u>31,565</u>	<u>32,392</u>
Total restoration and rehabilitation provisions	<u>28,357</u>	<u>31,565</u>	<u>32,392</u>

Provisions for restoration and rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefit will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected area. Due to the long-term nature of the liability, the biggest uncertainty in estimating the provision is the costs that will be incurred.

The provision is determined by discounting future expenditure at an appropriate risk free rate relevant to the currency of the expected expenditure. Changes in estimates of the timing and amount of expected future expenditure will impact on the provision in the future.

In the current period the following risk free rates have been used to determine the provision based on the respective currency of expected expenditure:

NZ Dollar	3.56%
US Dollar	1.78%
Australian Dollar	3.27%

Movements in provisions:

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Carrying amount at start of year	32,392	25,645	25,645
Addition/(reduction) due to change in estimates	(3,812)	4,655	5,597
Unwinding of discount	269	438	746
Revaluation of USD provisions	(492)	827	404
Carrying amount at end of year	<u>28,357</u>	<u>31,565</u>	<u>32,392</u>

13 Reserves

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Reserves			
Revaluation Reserve	(3,710)	(5,236)	(4,925)
Share based payments reserve	146	259	345
Foreign currency translation reserve	<u>(14,276)</u>	<u>(11,291)</u>	<u>(12,663)</u>
Total reserves	<u>(17,840)</u>	<u>(16,268)</u>	<u>(17,243)</u>
Movements:			
<i>Revaluation reserve</i>			
Balance 1 July	(4,925)	(4,267)	(4,267)
Fair value gain/(loss) through other comprehensive income for the period	<u>1,215</u>	<u>(969)</u>	<u>(658)</u>
Balance at period end	<u>(3,710)</u>	<u>(5,236)</u>	<u>(4,925)</u>
<i>Share based payments reserve</i>			
Balance 1 July	345	699	699
Share based payment expense for the period	116	153	288
Transfer of expired share based payments during the period	<u>(315)</u>	<u>(593)</u>	<u>(642)</u>
Balance at period end	<u>146</u>	<u>259</u>	<u>345</u>
<i>Foreign currency translation reserve</i>			
Balance 1 July	(12,663)	(13,852)	(13,852)
Foreign currency translation differences for the period	<u>(1,613)</u>	<u>2,561</u>	<u>1,189</u>
Balance at period end	<u>(14,276)</u>	<u>(11,291)</u>	<u>(12,663)</u>

14 Earnings per share

	Unaudited Half Year 31 December 2012 Cents	Restated Unaudited Half Year 31 December 2011 Cents	Audited Full Year 30 June 2012 Cents
(a) Basic earnings per share			
Basic earnings per share	1.9	0.4	5.0
(b) Diluted earnings per share			
Diluted earnings per share	1.9	0.4	5.0

(c) Reconciliations of earnings used in calculating earnings per share

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Profit for the period	7,666	1,655	19,887

(d) Weighted average number of shares used as the denominator

	Unaudited Half Year 31 December 2012 Number 000s	Unaudited Half Year 31 December 2011 Number 000s	Audited Full Year 30 June 2012 Number 000s
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>408,438</u>	<u>399,115</u>	<u>400,263</u>

15 Related party transactions

During the half year to 31 December 2012 the Group had the following transactions with related party Pike River Coal Limited (In Receivership) ("PRCL"):

Repayment of secured debt

During the half year to 31 December 2012 the Group received \$7.0 million from the Receivers of PRCL. The funds received were allocated to the convertible bonds (\$2.5 million), interest on convertible bonds (\$0.1 million) and the short-term funding arrangement (\$4.4 million).

There have been no other material transactions with related parties during the year.

16 Reconciliation of profit after income tax and royalties to net cash flows from operating activities

	Unaudited Half Year 31 December 2012 \$'000	Restated Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Profit for the period	7,666	1,655	19,887
Depreciation and amortisation	10,845	14,509	28,105
Deferred Tax	4,183	4,875	4,726
Net fair value loss on convertible bond	-	4,091	-
Impairment of loan to Pike River Coal Limited (In receivership) - principal	-	13,943	13,765
Impairment of loan to Pike River Coal Limited (In Receivership) - interest	-	4,136	2,735
Recovery of loan to Pike River Coal Limited (In Receivership) - principal	(2,000)	-	-
Exploration and evaluation costs expensed	6,480	579	2,389
Share based payment expense	116	153	288
Net foreign exchange differences	2,017	(6,628)	(4,526)
Other	292	(283)	689
Change in operating assets and liabilities			
Increase in trade debtors	(3,615)	(8,988)	(5,338)
Increase/(decrease) in trade creditors	(751)	(1,581)	442
Net cash flows from operating activities	25,233	26,461	63,162

17 Commitments and contingent assets & liabilities

(a) Evaluation and Exploration expenditure commitments

In order to maintain the various permits in which the Group is involved the Group has ongoing operational expenditure as part of its normal operations. The actual costs will be dependent on a number of factors such as joint venture decisions including final scope and timing of operations.

(b) Operating leases and commitments

The Group leases premises, plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor.

	Unaudited Half Year 31 December 2012 \$'000	Unaudited Half Year 31 December 2011 \$'000	Audited Full Year 30 June 2012 \$'000
Within one year	356	339	358
Later than one year and not later than five years	1,212	1,355	1,357
Later than five years	-	137	-
	1,568	1,831	1,715

During the period ended 31 December 2012 \$185,000 was recognised as an expense in the income statement in respect of operating leases (30 June 2012: \$340,000 and 31 December 2011: \$171,000).

17 Commitments and contingent assets & liabilities (continued)

Production commitments

The Company is committed to certain operational commitments in respect of the Tui Joint Venture. These operational commitments relate to costs that are integral parts of the FPSO lease until 31 December 2015 with an option to extend to 31 December 2022 via one year renewal terms. The total committed by NZOG to the FPSO charter and operating and maintenance contracts for the initial period to 31 December 2015 is currently estimated to be US\$12.0 million (30 June 2012: \$14.3 million and 31 December 2011: \$12.1 million).

(c) Contingent assets

Pike River Coal Limited (In Receivership) (PRCL)

On 17 July 2012 the Receiver confirmed the completion of the sale of mine assets to Solid Energy. The sale agreement between the Receivers and Solid Energy provides for additional payments of up to \$25.0 million by Solid Energy once mining recommences and certain production thresholds are reached.

The Group received \$7.0 million from the Receivers of PRCL (Refer to note 15) during the half year ended 31 December 2012, with \$5.0 million recognised as recoverable at 30 June 2012. The Group has not recognised any additional amounts in relation to the potential additional payments, which would become payable to the Group under the short-term funding arrangement.

The Group considers there is still considerable uncertainty as to the timing and quantum of any further return to NZOG from the Receivers of PRCL and currently attributes no value to the remaining convertible bonds and short-term funding arrangements.

Kupe Overriding Royalty Interest

The Group has an overriding royalty in relation to production from the Kupe field. As at balance date the Group was in discussions with the parties that have an obligation of paying the overriding royalty to agree the basis of the calculation. At balance date a reliable estimate of the economic inflow from the overriding royalties was not able to be determined.

(d) Contingent liabilities

PRCL receivership

NZOG wholly owned subsidiary NZOG 38483 Limited has provided two indemnities in favour of the receivers in connection with the receivership of PRCL. The first indemnity, given on appointment, essentially covers liability suffered by the receivers due to any defect in their appointment. The second indemnity, given at the time of handover of the PRCL mine by NZ Police to the receivers, indemnifies the receivers in respect of all costs and liability incurred in implementation of the Mine Stabilisation Plan dated 17 January 2010. NZOG also provided an indemnity in favour of the PRCL receivers in connection with the distribution of the PRCL insurance settlement. The indemnity stands behind statements made by the receivers in favour of the insurers in which they warranted an entitlement to the insurance monies in exclusion to all third parties.

Petroleum sales

The Group sells all LPG produced from the Kupe field to a single customer under a long-term sales agreement. In July 2011 the customer notified NZOG that the total sales revenue figures for both the 2010 and 2011 financial years would be adjusted for a specific transaction. NZOG did not believe the adjustment conformed with the terms of the agreement and exercised its right to audit the figures, following which two invoices amounting to \$1.7 million were raised in respect of the particular periods and recognised in revenue.

During the half year to 31 December 2012 the Group has similarly issued adjustment invoices in respect of the 2012 financial year and six months to 31 December 2012 amounting to \$6.0 million, with \$2.8 million outstanding at balance date. As at balance date, the Group is in discussions with the customer to resolve the dispute. For the half year to 31 December 2012 the Group has recognised revenue based on the potential outcome from the dispute after considering a range of scenarios.

Other contingent liabilities

As at 31 December 2012 the Company had no other contingent liabilities (30 June 2012:\$Nil and 31 December 2011:\$Nil).



Auditors' review report

To the shareholders of New Zealand Oil & Gas Limited ("the Group")

We have completed a review of the condensed interim financial statements ("the financial statements") on pages 2 to 21 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board and RG-1 Review Engagement Guideline RG-1 issued by the New Zealand Institute of Chartered Accountants. The financial statements provide information about the past financial performance of the Group and its financial position as at 31 December 2012.

Directors' responsibilities

The Directors of the Group are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Group as at 31 December 2012 and the results of its operations and cash flows for the six month period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of Group personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the Group in relation to taxation and general accounting services. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached financial statements on pages 2 to 21 do not give a true and fair view of the financial position of the Group as at 31 December 2012, the results of its operations and cash flows for the six month period ended on that date.

Our review was completed on 28 February 2013 and our opinion is expressed as at that date.

KAMC

Wellington